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SUBJECT: WILL TURKEY REALLY BOYCOTT FRENCH COMPANIES IN THE WAKE OF
ARMENIAN GENOCIDE VOTE?

Ref: Ankara 5891

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11. (SBU) Summary: The lower house of the French parliament's October 12 decision to make denial of the Armenian "genocide" illegal elicited strong reactions from Turkey's business leaders and politicians (ref A). Although most politicians, including PM Erdogan, urged public caution until the French Senate reaches its final decision, and while business leaders cautioned Turkish consumers to remain calm and consider the negative effects such actions might have on the Turkish economy, the Turkish Consumers' Rights Union called for the boycott of one French company per week, starting this week with Total petroleum products. Turkish bureaucrats are still assessing the situation, and the Parliament and Defense Industry Executive Committee met on October 17 to discuss the GOT's official response. While we expect the matter will quickly die down if the legislation is not approved by the French Senate, we anticipate continued strong rhetoric from public and private officials as the debate continues and severe political retaliation should it become law. End summary.

Business'sReaction

12. (SBU) Turkish business and government representatives were mostly cautious over the weekend in their statements about the vote by the lower house of the French parliament October 12 to make a denial of the 1915 Armenian "genocide" illegal. The Turkish Consumers' Rights Union has called for a boycott of one French product every week, beginning this week with the petrol company Total, which currently has 500 gas stations in Turkey. The Aegean Garment Industrialists Association also announced their decision to withdraw in protest from four upcoming French trade fairs.

13. (SBU) In a public statement, the Vice Chairman of Turkey's big business association, the Turkish Industrialists' and Businessmen's Association (TUSIAD) Vice Chairman, Pekin Baran, said that Turkey's best response to this decision would be to expedite political reforms and move in the direction of the EU. On the other hand, he added that the association would focus on how the French legislation violated human rights and possibly even the authority of the parliament.

14. (SBU) The leading business federation, the Turkish Union of Chambers and Commodity Exchanges (TOBB) President, Rifat Hisarciklioglu, criticized the GOT for its inability to play the state tender "trump card." He said the GOT could have used its nuclear plant or defense tenders as a tool for France not to bring this legislation to the agenda. He noted that the effectiveness of a boycott against one country's products depended on the trade

volume with that country and warned that boycotts of French goods could actually bring more harm to Turkey, whereas blocking French companies' access to big state tenders would send strong messages. TOBB's Director for EU and bilateral economic relations told us that while NGOs and Chambers of Commerce are pressuring TOBB to call for a boycott, it cannot do so. He added that TOBB recognizes the thin line between French imports and products produced and sold in Turkey by French companies. It is this second category, TOBB believes, which is more prevalent and therefore a nationwide boycott could hurt Turkey more than France.

15. (SBU) Foreign Investors Association (YASED) President Saban Erdikler warned that the cost of starting such public campaigns would be higher than its benefit. He argued that the first response to this political issue should also be political, and the economic sanctions could follow depending on the results of the first.

Government's Response

16. (SBU) State Minister for Foreign Trade, Kursad Tuzmen, commented that the law could not avoid having a negative impact on the commercial relations between the two countries. However, Foreign Trade officials in charge of bilateral trade relations with France told us that they were still assessing the situation and had not made any decisions regarding an official course of action. According to media reports, the GOT sent a diplomatic note informing the French Embassy of its intention, should the proposal pass the French Senate, to take the matter to the French Constitutional Court and, failing a solution there, to the European Court of Human Rights.

17. (SBU) In public statements, PM Erdogan encouraged the Turkish public to remain calm until a final decision is made by the French Senate. He noted that Turkey's trade volume with France is only USD 10 billion or approximately 1.5 percent of France's total trade. Based on these numbers, Erdogan questioned whether a boycott would

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be an effective way of dealing with the issue. Parliament and the Defense Industry Executive Committee met on October 17 to discuss Turkey's reaction to the bill. Specifically, the Defense Industry Executive Committee will evaluate the GOT's purchase of 51 attack helicopters. South Africa's Denel, which is competing with Italy's Mangusta, is hoping to sell its Rooivalk helicopter. However, the Rooivalk contains a significant number of French parts (between 40-60%). According to press reports, in a bid to stay in the competition, Denel has suggested that it can get those same parts from Sikorsky, a U.S. firm. The Executive Committee may decide whether or not to accept one of the two bids or opt for a U.S. Foreign Military Sales (FMS) purchase.

18. (SBU) In his speech immediately following the Parliament's October 17 discussion of this issue, FM Gul urged France to take into consideration the criticism coming not only from Turkey but from all around the world regarding this legislation. He added that the GOT continues to consider the legal steps it might take to respond to the French legislation. Gul referred to France as the "cradle of democracy and leader for freedom" and stated, "I would like to be clear on this: if, despite all the criticism and warnings, this law is passed, the wounds opened by this action would be irreparable."

19. (SBU) An EU diplomat in Ankara told us that it is forbidden for one Customs Union country to boycott another and that, if Turkey were to do so, it could bring serious problems for its accession process.

110. (SBU) Comment: It is obvious that the business opinion-makers in Turkey understand the possible negative repercussions of a French boycott. Turkey's exports to France in 2005 amounted to USD 3.8 billion, while imports amounted to USD 5.9 billion worth. There are 533 French companies doing business here. French firms invested USD 2.1 billion into Turkey in 2005 and have invested USD 330 million as of August 2006. France's interest in the Turkish economy is significant, and a boycott could mean lost jobs and wages for

thousands of Turkish workers. It will be difficult, if not impossible, for a boycott of French products not to hurt Turks, such as Total gas station franchisees, or the workers at the Renault plants in Turkey. We believe that this crisis will quickly die down if the matter is defeated in the Senate. However, as the debate over the proposed legislation continues in Paris, we expect escalated rhetoric by public officials and business leaders, and continued demonstrations and sporadic attacks against French businesses in Turkey. If the legislation passes the French Senate, we anticipate a severe political retaliation from the GOT. End comment.

WILSON